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An Analysis on Starbucks' International Business Entry Strategies in China

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Abstract

Marketing literature suggests that selection of an appropriate strategy is very much important to gain sustainable competitive advantage to be successful in the international business; however, literature detailing with international business entry strategies is scarce. This study is the outcome of an in-depth analysis of Starbucks entry strategies in China. The entry strategies of Starbucks in China followed the gradual incremental involvement of resource commitment. Considering all key influential factors like firm specific; industry specific; country specific; cultural; environmental factors, Starbucks started to follow high/majority equity joint ventures and wholly owned subsidiaries as a preferred entry mode to hold more control in the growing coffee market of a country with emerging economy but high cultural differences. Starbucks used the standardized product (coffee) and tuned promotional activities as per the requirement of the target market segments in China in order to position Starbucks' coffee-café to the similar customer groups not only as a seller of high quality coffee but also as a provider of comfortable and relaxed atmosphere by providing customer a third place away from work or home to relax and socialize.

Key words: Entry modes, Starbucks, Chinese marketplace, Coffee Retailer, Global Standardization Strategy, Localization Strategy.

1. Introduction

Founded in Seattle, Washington in 1971, Starbucks is world's number 1 specialty coffee retail chain with total 23,763 outlets in 72 countries throughout the globe, including 13,277 stores (most of them are owned by them) in the USA and 10,486 stores worldwide operated mainly by licensees and franchisees. Starbucks opened their 1st outlet outside North America in Tokyo, Japan in 1996. Starbucks entered in the European (UK) market in 1998, Latin America (Mexico City of Mexico) in 2002, South America (Lima of Peru) in 2003 and Russia in 2007. Major international markets for Starbucks are China (2290 outlets), Canada (1406 outlets), Japan (1162 outlets) South Korea (872 outlets), UK (842+) and Mexico (500+ outlets) (Wikipedia, 2016). Brand portfolio of Starbucks includes Starbucks Coffee, Seattle's Best Coffee, Teavana, Tazo, Evolution Fresh, La Boulange, Ethos Water and Torrefazione Italia Coffee. Starbucks offers a range of unique product offerings like-coffee; handcrafted beverages (e.g. Hot and iced espresso beverages, Frappuccino® coffee); merchandise (e.g. Coffee- and tea-brewing equipment); fresh food (e.g. baked pastries, fruit cups); consumer products (e.g. Whole bean and ground coffee, Starbucks® bottled Frappuccino® coffee drinks). It is also reputed as one of the most ethical company of the world. It serves high quality coffee in a comfortable and relaxed atmosphere to more than 50 million customers a week (Starbucks, 2016).

China was traditionally a tea-drinking nation but it is seen that due to presence of homogeneous needs and interests of customers, coffee market is growing in China. Moreover, the implementation of WTO agreements developed and created the opportunities for foreign firms to serve in that market. During last two decades, coffee market of China was growing and according to a recent Wall Street Journal article, the analysts at Euromonitor forecast Chinese coffee consumption rising 18 percent annually until 2019. Though competition was not very intensive but due to Chinese government's encouragement for foreign investment, emerging economy of China and China's entry in to WTO, would create intense competition in the long-run. In 1999, Starbucks opened their first stores in growing coffee market in the China World Trade Building, Beijing, China. Now, Starbucks has already opened 2,290 stores in more than 100 cities and the Seattle-based coffee giants has a plan to open 500 new stores in the country every year for the next five years (CBS News, 2016; Starbucks China, 2016).

2. Rationale and Objective of the Study

This paper is an outcome of an exploratory research; since there has been no study relating to in-depth analysis of entry strategies of any reputed organization into any large marketplace. Hence the aim of this study is to look for patterns and ideas about the entry of a large firm from the Western economy into a large marketplace with growing economy. This paper aims at discussing some important aspects of international business entry strategies of Starbucks in China. The specific objectives of this present study are as follows:

- To examine the way in which Starbucks followed different strategies to enter into China marketplace.
- To identify the business challenges faced by Starbucks during time of entry in China.
- To analyze the selection of entry modes by Starbucks in China.

To examine to what extent Starbucks followed global standardization strategy or observed localization strategy.

3. Literature Review

Internationalization is defined as "the successive development in a firm's international engagement in terms of the geographical spreading in markets, products, and operations form, and the changes in management philosophy and organizational behavior from the beginning of the process to the current situation." (Albaum et al., 1995:1). With the help of international business firms can receive many benefits like- have new and potentially more profitable markets; can be more competitive and can gain access to new product ideas, manufacturing innovations and the latest technology (Hollensen, 2007:5).

International market entry strategy is defined as a plan for the marketing program which is used in a particular product-market. It needs to take decisions on the objectives and goals in the target market; needed policies and resource allocation; the choice of entry modes to penetrate the market; the control system to monitor performance in the market; a time schedule (Albaum et al., 1995:151). International expansion of a firm depends on two major dimensions, industry globalization and preparedness for internationalization (Solberg, 1997) where industry globalization is determined by international marketing environment where in a high degree of industry globalization there are many interdependencies between markets, customers and suppliers, and industry is dominated by a limited number of large marketers and the degree of preparedness is dependent on the firm's ability to carry out international business strategies in foreign marketplaces (Hollensen, 2007:5). The various modes for serving international markets are exporting, licensing or franchising to host country firms, establishing joint ventures with a host-country firm, setting up a new wholly owned subsidiary in a host country to serve its markets, or acquiring an established firm in the host country to serve its markets. Different types of entry strategies are discussed as follows:

Export: Export is the most common for initial entry into international markets, sometimes an unsolicited is received from a buyer in a foreign country, or a domestic customer expands internationally and places for its international operations (Hollensen, 2007:311).

Licensing: It includes arrangements for the foreign licensee to pay for the use of manufacturing, processing, trademark or name, patents, technical assistance, marketing knowledge, trade secrets or some other skill provided by the licensor (Albaum et al., 1995:154). Hollensen (2007:332) defined licensing as an agreement wherein the licensor gives something of value to the licensee in exchange for certain performance and payments from the licensee. A license usually involves one or more of the followings:

- Technology, know-how, manufacturing process (patented and non-patented)
- Trademark, brand name, logos
- Product and/or facility design
- Marketing knowledge and processes
- Other types of knowledge and trade secrets.

Franchising: Hollensen (2007:335) defined franchising as an agreement where the franchisor gives a right to the franchisee against payment, e.g. a right to use a total business concept/system, including use of a trade marks (brands) against some agreed royalty. The package can contain the following: trademarks/trade names; copy right; designs; patents; trade secrets; business know-how; geographic exclusivity; design of the store; market research for the area and location selection.

Joint Venture: It is an equity partnership typically between two partners where two parents create a child which is known as joint venture acting in a market. This strategy is followed in a foreign market when a non-national company joins with national interests, or with a company from another foreign country, in forming a new company. A company might be forced into a joint venture in a specific foreign market because of local government policies (e.g. China), nationalistic feelings or intense competitive pressures. It is more profitable in the long run (Albaum et al., 1995:155).

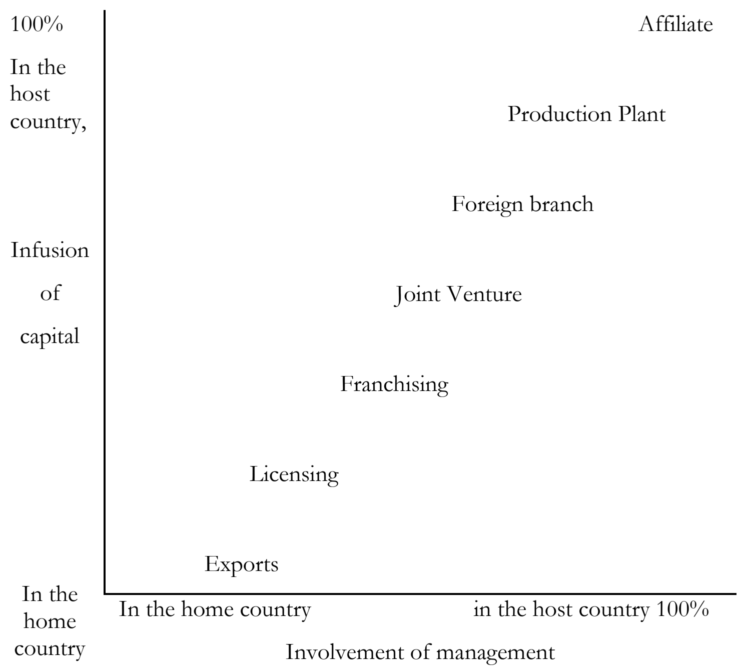

Figure-1: Degree of Internalization Related to the Involvement of Capital and of Management in the Country of Origin and the Host Country.

(Source: Meissner, 1990; cited by Albaum et al., 1995:217).

Wholly-owned Subsidiary-Acquisition: It takes in many forms, horizontal where product lines and markets of the acquired and acquiring firms are similar, vertical where the acquired firm becomes supplier or customer of the acquiring firm, concentric where the acquired firm has the same market but different technology, or the same technology but different markets and conglomerate where the acquired firm is in a different industry from that of acquiring firm (Hollensen, 2007:364). Acquisition has the advantages of rapid entry into a foreign market; easy access to distribution channels and customers of a foreign market; acquiring experience in dealing with the foreign environment.

Wholly-owned Subsidiary-Greenfield Investment: Firms prefer to establish operations from the ground up, which is known as green field investment especially where production logistics is a key industry success factors (Hollensen, 2007:364).

Hollensen (2007:297) pointed out that the factors influencing the choice of entry modes are classified into four groups. These are internal factors (firm size, international experience, product/service), external factors (sociocultural distance between home country and host country, country risk/demand uncertainty, market size and growth, direct and indirect trade behaviors, intensity of competition, small number of relevant intermediaries available), desired mode characteristics (risk averse, control, flexibility), and Transaction-specific factors (tacit nature of know how).

Key advantages and disadvantages of different entry modes are highlighted in the following table:

Table-1: Advantages and Disadvantages of Entry Modes

Entry Mode	Advantages	Disadvantages
Exporting	Ability to realize location and experience curve economies.	High Transportation costs. Trade Barriers. Problems with local marketing agents.
Licensing	Low development costs and risks.	Lack of control over technology. Inability to realize location and experience curve economies. Inability to engage in global strategic coordination.
Franchising	Low development costs and risks.	Lack of control over quality. Inability to engage in global strategic coordination.
Joint Ventures	Access to local partner's knowledge Sharing development costs and risks. Politically acceptable.	Lack of control over technology. Inability to engage in global strategic coordination. Inability to realize location and experience curve economies.
Wholly owned subsidiary	Protection of technology Ability to engage in global strategic coordination. Ability to realize location and experience curve economies.	High costs and risks.

Source: Hill, 2008:412

There is no definite answer for the question, whether a marketer should follow standardize product offerings or not. Levitt (1983) used Coca-Cola, Sony television, McDonald's restaurants and Levi jeans as examples of global product offerings but they had to bring some changes in their

Table-2: Examples of Adaptation to Foreign Market Conditions

Product	Adaptation
Sony TV	Voltage, broadcast standard
McDonalds	Menu, decor of restaurant
Levi jeans	Size mix, fabric, cut

(Source: Rosen, 1986, cited by Albaum et al., 1995:282)

offerings in the international marketplaces. McDonalds in Japan added beef and chicken curry with rice to its menu. In France McDonald's serves wine and in Germany it serves beer. KFC began selling baked rice balls in Japan in 1992.

4. Methodology

The nature of this study is exploratory as it is designed in order to gain insights and understanding. In terms of the character of data and the way in which they are gathered, the process of this research is qualitative in nature. In terms of outcome of the research this is a pure or fundamental study as the study aims at expanding frontiers of knowledge and is being conducted mainly to improve our understanding on foreign entry strategies by an in-depth analysis of Starbucks entry into Chinese market.

The study intended to analyze different strategies adopted by Starbucks with regard to entry into Chinese market and to see how far it is related to the concept of marketing theory. Typical techniques used in exploratory research include case studies, observation and historical analysis which can provide both quantitative and qualitative data. The study is a desk research and has been conducted primarily on the basis of information collected from secondary sources as books, case studies, academic articles. Prior studies which are relevant with the global marketing, global trade, foreign entry strategies and were published between the years 1960 to 2016 are reviewed. As per the objective of the study in order to analyze the entry strategies of Starbucks in China secondary data are collected and several strategic tools and tables are used in order to address the specific objectives of this study.

5. Entry Strategies of Starbucks in China

Pan and Tse (2000) pointed out that choice of foreign market entry mode of any firm could be explained by the three main schools of thoughts which are gradual incremental involvement (Johanson and Vahlne 1977, 1990; Root 1987), transaction costs perspective (Anderson and Gatington, 1986; Beamish and Banks, 1987; Caves, 1982; Erramilli and Rao, 1993; Williamson, 1980), and location specific factors (Hill, Hwang and Kim, 1990; Dunning 1988). The study (John, 2006) pointed out that Starbucks used direct export mode like distributors as Beijing Mei Da was initially the wholesale distributor of Starbucks for distributing coffee to hotel and restaurants in Beijing market segment. Then Starbucks made licensing agreement with Beijing Mei Da in 1995 and opened its first café at the China World trade Centre in Beijing in 1999. Being encouraged by the success of its business operation in China, Starbucks then formed minority equity join ventures with three different partners Beijing Mei Da Coffee Co. Ltd., Uni President Group, and Maxim caterers/Coffee Concept Ltd. for Northern China (Beijing and Tianjin market segment), Eastern China (Taiwan, Shanghai and Hangzhou market segment), and Southern China (Hong Kong, Guangdong, Hainan and Macau market segment) respectively. In the next step Starbucks increased their resource commitment by increasing their equity in the above joint ventures.

<u>Step-1</u>
Used direct export mode of distributors to distribute Starbucks coffee in Beijing.

↓

<u>Step-2</u>
Used intermediate entry mode of licensing by making a licensing agreement with Beijing Mei Da.

↓

<u>Step-3</u>
Used strategic alliances/intermediate entry modes of minority equity join ventures with three different partners Beijing Mei Da Coffee Co. Ltd., Uni President Group, and Coffee Concept Ltd. for Northern China, Eastern China, and Southern China respectively.

↓

<u>Step-4</u>
Increased equity to form either 50% share equity joint ventures or majority equity joint

ventures with Beijing Mei Da Coffee Co. Ltd., Uni President Group, and Coffee Concept Ltd.

↓

Step-5

Established Wholly Owned Subsidiaries at Eastern China & North-Eastern China in 2005.

Figure-2: Stages of Entry Strategies of Starbucks in China.

Finally, the Starbucks used wholly owned subsidiaries to enter at other parts like at Shandong province of Eastern China and at Liaoning province of North-eastern China. It is seen that the steps of Starbucks entry into Chinese market could be explained by the stage model from the Uppsala International Model where the successive stages represent higher degrees of involvement/commitment in the Chinese market and could be summarized as in figure-2.

The entry strategies of Starbucks in China followed the gradual incremental involvement of resource commitments. Starbucks first used direct export entry mode which is easy and ideal first step for entry into a foreign market (Bradley, 2005:225-239). Pan and Tse (2000) suggested that as per first school of thoughts firms generally enter into an international market with the help of low resource commitment mode and after acquiring experience and knowledge in that market firms apply equity modes with higher involvement of resource commitment. Figure-1 shows that from step-1 to step-5 Starbucks' involvement of resource commitment (financial & managerial resources) was gradually increased with higher level of risk, and control.

6. Challenges for Starbucks in the Chinese Marketplace

The challenges of Starbucks in the Chinese marketplace are as follows:

Market growth: The study (John, 2006) highlights that consumption and hence the market is growing. This is a direct opportunity for a firm to grow and this market growth also imposes indirect threat to the existing firms because of competitive risk (Aaker and McLoughlin, 2007:81).

Potential competition from new entrants: Homogeneous needs of customers in the Chinese coffee market might bring global competition in the long-run as Levitt (1983) suggested that no organization is safe from global competition. The new entrants serve to increase the intensity of competition in any industry. Since late 1990s Chinese coffee market has attracted a good number of new entrants and some strong companies like Costa (UK), KFC have also entered in the Chinese market. Moreover, customer switching cost is low hence this is clearly a threat for Starbuck.

Bargaining power of the buyers: Though target customer segments are not price sensitive but the study (John, 2006) indicates that the teens in China display strong strains of traditional values and nationalist feelings which could be another challenge for Starbucks.

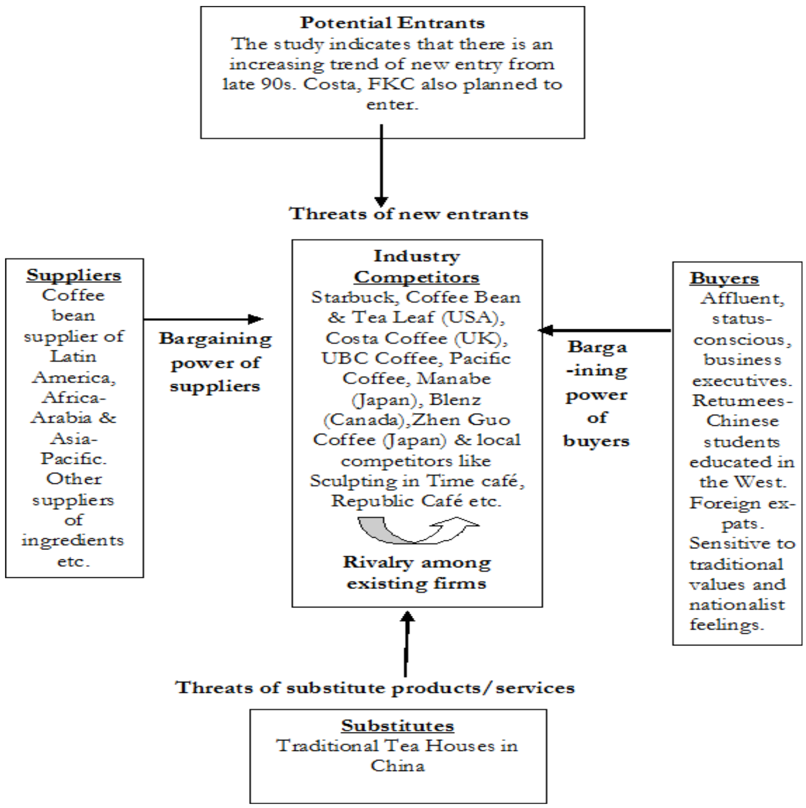

Figure-2: Analysis of Five Forces on Starbucks in China during Entry.

(Based on Forces Driving Industry Competition, Source: M. E. Porter, Competitive Strategy: Techniques for Analyzing Industries and Competitors, Free Press, 1980, P-4, & Information collected mainly from the study (e.g. John, 2006)

Drinking habit & threat from substitutes: As China was originally a tea-drinking nation with tea-drinking history of approximately 5000 years hence converting tea-drinking habit in to coffee-drinking habit is a challenge. Though consumption of coffee is growing but it is growing in large cities only and is comparatively far below than the consumption in the western world. Moreover, popularity of instant coffee due to its availability and convenient preparation could be another challenge.

China's WTO entry & removal of restrictions on foreign investment: As per World Trade Organization (WTO) agreement all member countries would undertake obligations to open their markets and should be guided by the rules of multinational marketing system (Cateora and Graham, 2007: 48). In 2001, China entered in to WTO and hence Chinese market was open to foreign competition. Deregulation removes artificial compulsion on competition (Day and Montgomery, 1999). Moreover, removal of restrictions on foreign investment in the retail industry created the opportunities for the foreign firms to serve in that market by FDI. Moreover, as Chinese economy is growing hence more international firms would be attracted by this potential market and would create highly intensive competition.

Varying target group: Selection of important customers is the most important strategic decision (Shapiro, 1998), customer communities can exercise high influence in the market (Prahalad and Ramaswami, 2000). The study (see: John, 2006) shows that there are four distinct teen segments in China and the market potential differs as per segment. Moreover, target customer group of Starbucks varies as per region as well. The study (John, 2006) pointed out that Starbucks' target customer group in Shanghai is middle and upper class whereas target customer group in Beijing is average person. Hence this is a challenge for Starbucks to select appropriate customer group and to adopt standardize strategies in terms of store location, store design, seating facilities and other service features.

Customers' perception about Starbucks/coffee houses: The study (John, 2006) pointed out that the Chinese customers use Starbucks' stores as a destination restaurant rather than a coffee take-out joint. Moreover, customers' prolonged usage of the stores as a place for socializing, relaxing, and arranging business meetings has changed the service requirements/pattern and hence business model of Starbuck.

Market expansion throughout China: Market expansion in China is another challenge for Starbucks. Difficulties in distribution and logistics due to lack of infra-structure facilities in second and three-tier small cities, lack of management talents, difficulties in managing and maintaining good relations with the officials at different level of government organizations, corruption, etc. could create more challenge.

Site selection & store location: Requirement of thoroughly research for site selection & store location in China is another challenge as cost associated with this and cost of delay in obtaining the target location could be problem for successful expansion of business at different regions.

Cultural differences: Cultural differences create problem in negotiations and managing foreign market (Hollensen, 2007:19) hence it could be a challenge for a US company like Starbucks for doing business in China as American culture is information oriented (low context, individualism, low power distance, bribery less common, low distance from English, linguistic directness, monochronic time, internet, foreground, competition) whereas Chinese culture is relationship oriented (high context, collectivism, high power distance, bribery more common, high distance from English, linguistic indirectness, polychronic time, face-to -face, background, reduce transaction costs).

Table-3: Hofstede's Cultural Index Scores of China

Index	Index Scores
Power Distance	80
Uncertainty Avoidance	30
Individualism/Collectivism	20
Masculinity/Femininity	66
Long-Short-Term Orientation	118
Primary Language	Mandarin
Distance from English	6

Source: Geert Hofstede, Culture's Consequences, cited by Cateora and Graham (2007:154)

China's emerging economy: Cateora and Graham (2007:269) indicated that there was nearly 10% annual GDP growth in China since 1970 and this growth rate would continue during next 10 to 15 years. Doole and Lowe (2004:61) indicated that Chinese economy is going to be the largest economy in the world by 2030. The study (see: John, 2006) indicated that projected compound annual growth rates during 2004-2025 in food, recreation and transportation sectors are 6.7%, 9.5% and 9.3% respectively. This emerging economy could create more intensive competition as more and more foreign firms could be attracted to serve this market. For example, in 2002 it attracted US$ 52.7 billion FDI (Doole and Lowe, 2004:61).

Table-2: Economic Indicators of China

Population (millions)	1288.4
GDP (billions)	1,375.2
Per Capita GDP	5,196
Imports (billions)	441.8
Exports (billions)	502.8

Source: World Bank, cited by Cateora and Graham (2007:268)

Regiocentric base/approach of the partner firms: Cateora and Graham (2007:269) suggested that due to size, diversity and political organizations, Chinese market should be considered as grouping of six regional markets with different economic conditions rather than a single market. The case study also pointed out that the partner firms of Starbucks in China were focused to integrate and coordinate its business activities within specific one/two provinces only. Hence this is a major challenge for Starbucks in order to expand their business in China and hence generate substantial revenues.

Imitation & piracy: The study pointed out that most of the local cafés imitated the same ambience of Starbucks store. Cateora and Graham (2007:178) pointed out that though China began to enforce WTO statutes on piracy but it is still common in that market segment. Capabilities are distinctive only when they are not understandable and difficult to imitate (Day, 1994). It is seen that service features/settings are not in-imitable in this market segment which could create competitive disadvantage.

7. Starbucks' Selection of Entry Strategy in China

The selection of foreign entry mode is a complex decision and depends on several marketing variables (Bradley and Gannon, 2000); cultural difference and firm experience (Kogut and Singh, 1988). Mitra and Golder (2002) emphasized on near market economic and cultural knowledge to foreign market entry where near market knowledge was defined as firm's understanding of target market based on the knowledge acquired from its business operation in the similar market. Davidson (1983, cited by Mitra and

Golder, 2002) suggested that firms operating in the foreign countries with cultural differences need to adapt marketing mix elements and hence added risks and costs. Mitra and Golder (2002) pointed out that economic factors are more influential than cultural factors for internationalization of a firm.

Low country risk and Chinese Government encouragement for foreign investment support the use of equity modes (Pan and Tse, 2000). Due to big firm size and high multinational experience, Starbucks could be able to bear the risk of using high equity modes (Kogut and Singh, 1988). Erramilli and Rao (1993, cited by Bradley and Gannon, 2000) suggested high-control modes for international service firms. A firm should commit high resources and hence should use equity modes in the highly attractive market segments with high competitive strengths (Harrell and Kiefer, 1993).

Brouthers and Brouthers (2001) suggested that for a culturally distant market with low investment risk, firm should consider co-operative modes of entry whereas in the culturally distant markets with high investment risk firms should use wholly owned subsidiaries.

Gatington and Anderson (1988, cited by Brouthers and Brouthers, 2001) suggested using joint ventures for culturally distant markets in order to reduce the cultural gap. The study of Kogut and Singh (1988) focused on psychic distance which is the outcome of differences of cultures and languages between home country and host country and supported the same. They also suggested that joint venture is way to share distinct and complementary knowledge and skills. In order to control local labours and to maintain relationships with the local suppliers, buyers and government joint ventures are preferred mode (Franko, 1977; Stopford and Wells, 1972, cited by Kogut and Singh, 1988). Cateora and Graham (2007:177) suggested that forming joint ventures with local partners is one way to reduce anti-MNC feelings. Starbucks might require greater control and adaptability to operate business in outside the large cities. Malhotra et al. (1998) suggested that equity based joint ventures are preferred in a culturally distant market with the requirement for greater adaptability and control. Low level of country experience of Starbucks suggests equity based joint ventures (Kogut and Singh, 1988).

Table-3: Key Influential Factors for Selection of Entry Modes

(For Starbucks in the Chinese Market)*

Factors	Comments
Market growth rate	High
Size of host country economy	Large and highly emerging.

Infrastructure	Less developed, especially in 2nd/3rd tier cities, rural areas.
Cultural differences	High. Relationship oriented instead of information oriented of the USA & other western countries.
Technological requirements	Not very much important in this type of food/service sector.
Stage of industry life cycle	Growth stage in the Chinese market.
Legal restriction	No restriction for foreign firms as per WTO agreement.
Political stability	Stable
Government encouragement for foreign investment	Chinese government showing encouragement for foreign investment in order to accelerate the development of the economy (Cateora and Graham, 2007:178)
Competitive strengths	Competitive strengths of Starbucks are high in China.
Near market knowledge	Not very strong for Starbucks.
Psychic distance	High
Requirements of adaptability and control	High, especially in the 2nd/3rd tier cities and rural areas
Firm size & growth rate	Big. High growth rate,
Multinational experience	High
Country experience	Not very much because of low coverage throughout China.
Transaction costs	High
Accessibility to customers	Low, especially in the 2nd/3rd tier cities and rural areas
Importance of local connection with the government bodies.	High
Need for product-communication adaptation	High, especially in the 2nd/3rd tier cities and rural areas
Demand uncertainty	Low
Investment risk	Low

*** Based mainly on John (2006) and other references used to prepare this report.**

For high growth, high potential market wholly owned mode is suggested (Brouthers, 2002). It is seen that (John, 2006) costs of finding, negotiating, enforcing a cooperative agreement, and monitoring performance of partner firms, which is termed as transaction costs (Makino and Newport, 2000; Agarwal and Ramaswami, 1992; Erramilli and Rao, 1993; Hennart, 1991, Hill, 1990, Gatington and Anderson, 1988; Williamson, 1985, cited by Brouthers, 2002) are high for Starbucks in the Chinese market. In this case, wholly owned mode is suggested (Brouthers, 2002).

Hence taking all key influential factors for selection of entry modes into consideration (see: Table-3) and from the above discussion it can be deduced that Starbucks rightly started to use majority equity joint ventures as a preferred entry mode to hold more control in the growing coffee market of a country with emerging economy but high cultural differences.

8. Has Starbucks Adopted a Global or Local Strategy?

Doole and Lowe (2004:182) suggested that - "true nature of globalization is encapsulated in the phrase 'think global act local' in which there is an acknowledgement of the need to balance standardization and adaptation according to the particular situation". In order to assess whether Starbucks has adopted global or local strategies in the Chinese market, it is required to analyze all the marketing mix strategies of Starbucks in China. Coffee bar/chain business could be classified as people processing service business as customers are part of the production process. In marketing of service products, marketing mix consists of 7Ps which are product, price, place, promotion, people, process and physical evidence. In the past the core business of Starbucks was roasting and selling coffee. Being inspired by the Italian espresso bars, Mr. Howard Schultz introduced the coffee shop concept in USA. As Howard Behar, the President of Starbucks International commented that the Starbucks is in people business serving coffee, Starbuck is not selling superior quality coffee only but providing comfortable and relaxed atmosphere to the customers by presenting their stores as a third place away from work or home for the customers to relax and socialize.

Levitt (1983) suggested that customer needs and interests are becoming increasingly homogeneous. In the Chinese coffee market, the target customer groups of Starbucks were similar and hence homogeneous. The study (see: John, 2006) pointed out that due to presence of homogeneous needs and requirements of customers, Starbucks positioned their offer very similar to the USA as American style decoration, the coffee freshness, the feeling of relaxation and the family-like service which is very similar to USA and other western countries.

By analyzing six measures to judge a brand as global as suggested by Quelch (1999, cited by Bradley, 2005:192) it is seen that Starbuck, a dominant brand in their home country (USA) serving a homogeneous customer need with almost similar positioning in Chinese market by utilizing positive country of origin effect.

Tangible features of physical evidence like external appearance of the store premises, signage, lighting; internal layout, decoration, furniture and furnishing, sit-out facilities and intangible features of physical evidence like atmosphere are almost similar. Features of process like service operation are also similar with some minor adaptation as customers in the Chinese market used Starbucks' stores as a destination restaurant rather than a coffee take-out joint. Employee training program in order to implement globalized coffee making and serving system conforming to global standard supported the Starbucks' focus on globalization strategies.

Starbucks followed standardized strategies regarding store location in high-visibility, high-traffic café location in the Chinese market. Starbucks followed the similar pricing strategy as coffee was priced almost similar to that in the US.

Starbucks used global branding strategies in the Chinese market. Friedman (1990, cited by Hsich, 2002) suggested that globally positioned brands are able to provide a customer the feeling of belonging to a specific global segment. The study pointed out that the feeling of the target customer groups of Starbucks in China supported this.

The study (see: case study) indicated that in addition to standardized items sold in US and other western countries, Starbucks added a good number of drinks, juice, tea, locally baked snacks, etc. as per the requirement of the local market. Instead of advertising Starbucks used other promotional tools like coupons, sponsoring on-line coffee club, seasonal promotions for promoting their products in the Chinese market. Hence by analyzing product-communication mix of Starbucks in the Chinese market it is seen that though they added additional products in their product-line. Starbucks used the standardized product (coffee) and positioned Starbucks' coffee-café to the similar customer groups not only as a seller of high quality coffee but also as a provider of comfortable and relaxed atmosphere with the help of tuned promotional activities as per the context of the market segments in China. Haris (1994) pointed out that practice of full standardization of communication strategies is not very much common.

Van Mesdag (2000) pointed out that – "Global marketing is a particular form of international marketing which - in its purest form - does not exist". The study (see: John, 2006) pointed out that Starbucks tried to standardize all elements of the marketing mix with some customizations as per needs and preferences of the customers and according to the marketing environment in China.

Low level of knowledge and experience in the Chinese market could create challenge for Starbucks for standardization (Solberg, 2000). As branding add values to a firm (Brandenburger and Nelebuff, 1995), Starbucks' standardized brand name could be helpful to generate more sales revenues (Alashban et al, 2002). Levit (1960) suggested that focus of a firm should be customer oriented. Kotler and Levy (1969) suggested that the functions of marketing are maintaining close relationship (touch) with the customers; identifying needs; developing products as per customers' needs; and to communicate with a view to express firm's objectives. Hence as per market requirements Starbucks rightly followed Standardization with necessary adaptation. Trout and Ries (1972) suggested that management should not forget what made the brand successful and should not create any confusion to the customers. Hence Starbucks' successful positioning as a seller of high quality coffee in a comfortable and relaxed atmosphere by providing customer a third place away from work or home to relax and socialize should be maintained.

9. Conclusion

Selection of appropriate strategy depends on the goals and objectives, structure and culture, strengths of the functional areas, leadership and policies and procedures of the organization as well. As strategists, should focus on gazing into the future (Campbell and Alexander, 1997), by taking all competitive forces, industry/country structure, opportunities, threats, resources and competences into consideration, it is seen that there exists strategic fit between resources of Starbucks and opportunities in the Chinese coffee market and hence for Starbucks, majority equity joint ventures are more preferred entry strategy for geographical expansion throughout China. Choice of entry modes depends on generic marketing strategies (market diversification/ market concentration) of a firm as well. Generally, firms can't utilize the most marketing opportunities due to improper application of resources resulted from lack of co-ordination (Shapiro, 1988). Hence Starbucks needs to maintain appropriate co-ordination with their partner firms. Standardization with some adaptation is also important for Starbucks in the Chinese market as Trout and Ries (1972) suggested that positioning should be in a way to adapt in the changing environment and Management should be aggressive enough to utilize the opportunity (if any) by taking flexible strategies which are appropriate for the company. As per the analysis of the study, standardization with necessary adaptation as per market requirements might be suggested. Management should not forget what made the brand successful and should not create any confusion to the customers/prospects.

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